

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Date: March 2, 2018

Memorandum to: Bill Shepley, County Administrator

From: Robinson, Farmer, Cox Associates

Regarding: Audit Recommendations

In planning and performing our audit of the financial statements of County of Grayson, Virginia for the year ended June 30, 2017, we considered the County's internal structure to plan our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience.

County:

Software Account Integrity:

During our reconciliation of beginning balances we found several accounts that were misclassified. For example, several revenue accounts were coded as liabilities allowing the prior year balance to carry forward rather than being closed to beginning fund balance. As a result, beginning fund balance did not agree to the prior year audited total. We recommend the County work with the software vendor to ensure all accounts are properly classified. We have provided a list of the accounts we noted during our current year beginning balance reconciliation to management.

Fund Transfers:

Transfers as provided for audit did not balance. During the audit, we found transfers posted to numerous line items including one salary line item. In addition, the contribution to the School Board and its corresponding budget did not reconcile. We recommend the County reconcile its internal transfers as well as the School Board budgeted and actual contribution monthly to ensure the same are balanced.

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County: (Continued)

Conflict of Interest Statements:

During our review of the Conflict of Interest and Economic Interest Statements we noted several that were submitted after the deadline. We recommend all forms be completed as required in a timely manner. The next submission of forms for calendar year 2017 are due by February 1, 2018.

Journal Entries:

The County is currently not capable of creating a report that shows journal entries in the accounting system. We recommend the County work with the software vendor to create a report that shows the entry, the reason for the entry, the date of the entry, and who performed the entry. We should be able to select entries from this report and trace same to the supporting documentation.

Bank Reconciliations:

Upon arrival for final fieldwork the week of October 30, 2017, the Treasurer's office had not reconciled the June 2017 bank statement. The Treasurer's office worked diligently and completed the June and July bank reconciliations during fieldwork and soon after, respectively; however, we recommend bank reconciliations be performed each month and reviewed in a timely manner to help ensure accuracy in internal financial reporting.

Tax Abatements/Exonerations:

Since the implementation of the current accounting software several years ago the Treasurer's office had been abating taxes. After presentation of the fiscal year 2016 audit report, the County worked with the software vendor to properly transition that task to the Commissioner of Revenue's office. The process was delayed due to software configuration but after April 2017 it appeared the County was properly processing tax abatements/exonerations.

Personal Property Tax Relief Act (PPTRA):

The Act requires the County to provide a discount to taxpayers based on calculations that total the amount received from the State. The County received \$437,787 from the State but applied a discount of \$498,148 to the 2016 tax levy. Essentially, the County provided an additional discount in the amount of \$60,361 to taxpayers. If the County wishes to provide such discount we recommend, at a minimum, that it be approved by the Board of Supervisors.

County: (Continued)

Public Service Corporation (PSC) Taxes:

The County is required to assess public service corporation (PSC) taxes based on information provided by the Virginia State Corporation Commission (SCC). During our reconciliation of PSC taxes, we noted that 3 companies were billed a zero tax levy due to a software issue resulting in unbilled taxes of \$2,122. We recommend the County levy the taxes as provided by the SCC.

Other Tax Issues:

During the audit of taxes, we noted the personal property tax bills are tracked as invoices in the software and not handled in the same manner as real estate taxes. We recommend the County work with the software vendor to move the personal property taxes to the real estate type module for improved reporting.

The tax system has both penalty and interest recorded as penalties. We recommend they change the wording to separate penalty and interest.

During our reconciliation of tax revenue, we noted that County staff did not reconcile the import of the tax assessment to the Commissioner of the Revenue's records. We recommend this reconciliation be performed each time a billing conversion is completed. In addition, it does not appear that anyone is reconciling tax collections to billings other than the auditors. It is a good practice to take the assessed levy, add supplements, deduct exonerations, deduct uncollected taxes, and compare that total to tax revenues collected.

During the audit, we noted County staff is not printing a detailed delinquent tax listing for either real estate or personal property. We recommend the County print these and review same for accuracy annually at year end.

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County: (Continued)

Pool Revenues:

During our audit of the pool revenues, we noted that not all receipts are sufficiently documented or deposited timely. Although the total revenues are comparable from year to year there is a decreasing trend that is concerning. Therefore, we recommend the County implement several new controls over the revenue collections at the pool.

- All revenue except for the pool entry fees, concession sales, and game entry fees should be receipted in a pre-numbered carbon copied receipt book. These receipts should be issued in order and reconcile to the amount deposited with the Treasurer's office in the transmittal folder.
- Pool entry fees should be treated as ticket sales and a ticket/wristband should be given to all that have to pay to enter the pool. At the end of the day, a summary form should be completed that lists the first and last ticket numbers issued and recalculates the sales, which should agree to the deposit for the day. Two employees should sign off on the form to acknowledge its accuracy.
- Receipts from the concessions should be processed through a cash register that prints a summary such as a "z-tape" with a date on same. This should be attached to the transmittal form deposited with the Treasurer.
- All of these funds should be locked in a safe and deposited with the Treasurer's office daily.

School Board:

Month and Year-end Reconciliations:

The School Board experienced unusual staff turnover in the finance department during fiscal year 2017 and subsequent to year end. Throughout this process, no one was reconciling with the County Treasurer's office and as they attempted to reconcile at year end they experienced difficulty. We recommend the School Board reconcile with the County Treasurer's office monthly to ensure accuracy of the records.

During our audit we also noted the School Board had mistakenly posted a negative receipt to the County appropriation account in the "Pre-year" period of \$2,968,924 causing a variance in the County contribution for all monthly reports throughout the year. We recommend all periods of the RDA accounting software be included in the above reconciliation.

VRS:

During our audit of VRS compliance we found one employee that did not have the correct salary. We also noted the April 2017 payment was not received by the 10th of the subsequent month as required by VRS. We recommend the School Board implement procedures to ensure compliance and accuracy with VRS requirements.

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School Board: (Continued)

Special Education Federal Reimbursement Requests:

During our single audit of Title VI-B Special Education we found several reimbursement requests that spanned 9/1/16 - 1/31/17. We recommend reimbursement request be filed monthly but at a minimum quarterly.

Social Services:

Special Welfare:

During our audit of the Special Welfare bank account, we noted that the balance per bank exceeds the Thomas Brothers ledger by \$2,206. We recommend the Thomas Brothers ledger be reconciled to the bank reconciliation monthly.

Payroll Taxes:

During our reconciliation of IRS form 941s to gross wages we noted that DSS appears to be inappropriately taking VRS and ICMA pre-tax for FICA and Medicare wages. We recommend that DSS review all payroll deductions to ensure they are being taxed properly.